

PERRY AREA  
CHILD DEVELOPMENT CORPORATION

Financial Statements and Report on Audit

June 30, 2005

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# POLLARD AND COMPANY P.C.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Perry Area Child Development Corporation  
Perry, Iowa

We have audited the accompanying statement of financial position of the Perry Area Child Development Corporation (a nonprofit corporation) as of June 30, 2005 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perry Area Child Development Corporation as of June 30, 2005, and the results of its activities and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we are including herein our reports on our consideration of the Perry Area Child Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

May 24, 2006



PERRY AREA CHILD DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2005

ASSETS

Cash	\$ 42,643
Cash Designated by Board	966
Program Service Fees Receivable	10,404
Contract Receivable	4,690
Land, Building and Equipment - Net of Accumulated Depreciation of \$16, 669	<u>178,577</u>
Total Assets	<u><u>\$ 237,280</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued Wages Payable	\$ 11,266
Accrued Compensated Absences	<u>12,736</u>
Total Liabilities	<u>24,002</u>

Net Assets

Unrestricted	
Undesignated (including \$966 Board Designated)	205,278
Temporarily Restricted	<u>8,000</u>
Total Net Assets	<u>213,278</u>
Total Liabilities and Net Assets	<u><u>\$ 237,280</u></u>

*Notes to financial statements are an integral part of this statement.*

PERRY AREA CHILD DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2005

	Net Assets		
	Unrestricted	Temporarily Restricted	Total
Revenue			
Public Support			
Contributions and Grants	\$ 30,200	\$ -	\$ 30,200
Governmental Funding			
Food and Nutrition	29,098	-	29,098
Empowerment Grant	11,700	-	11,700
Shared Visions Grant	53,871	14,662	68,533
Wrap Around Child Care	-	48,000	48,000
Total Governmental Funding	<u>94,669</u>	<u>62,662</u>	<u>157,331</u>
Other Revenues			
Program Fees	218,914	-	218,914
Interest Income	559	-	559
Total Other Revenue	<u>219,473</u>	<u>-</u>	<u>219,473</u>
Net Assets Released From Restriction	54,662	(54,662)	-
Total Revenue and Net Assets Released from Restriction	<u>399,004</u>	<u>8,000</u>	<u>407,004</u>
Expenses			
Program Expenses	336,939	-	336,939
Administrative Expenses	34,351	-	34,351
Total Expenses	<u>371,290</u>	<u>-</u>	<u>371,290</u>
Change in Net Assets	27,714	8,000	35,714
Net Assets - Beginning of Year	<u>177,564</u>	<u>-</u>	<u>177,564</u>
Net Assets - End of Year	<u>\$ 205,278</u>	<u>\$ 8,000</u>	<u>\$ 213,278</u>

*Notes to financial statements are an integral part of this statement.*

PERRY AREA CHILD DEVELOPMENT CORPORATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005

Cash Flows from Operating Activities	
Changes in Net Assets	\$ 35,714
Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities	
Depreciation	13,114
Changes In	
(Increase) in Accounts Receivable	(4,690)
(Decrease) in Accounts Payable	<u>(10,667)</u>
Net Cash Provided by Operating Activities	33,471
Cash Flows from Investing Activities	
Purchase of Property and Equipment	<u>(19,246)</u>
Net Increase in Cash	14,225
Cash - Beginning of Year	<u>28,418</u>
Cash - End of Year	<u><u>\$ 42,643</u></u>

*Notes to financial statements are an integral part of this statement.*

PERRY AREA CHILD DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

1/ Nature of Activities

The Perry Area Child Development Corporation (the Organization) is a nonprofit organization, established in December 2003, whose mission is to provide a full service child care center for the benefit of all of the members of the communities served by the Perry Community School District, the Dallas County Hospital and the City of Perry.

The Organization was created in conjunction with a shared use agreement between these parties, as allowed by Iowa Code Charter 28E, to form a joint and cooperative action to provide this facility to the communities.

2/ Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Deposits and Investments

The Organization's cash and investments are required to be deposited and invested in accordance with Chapters 12B and 12C of the Code of Iowa. The deposits were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa.

Investments can only be made in obligations of the United States Government, its agencies and instrumentalities, certificates of deposit and other evidences of deposit at federally insured depositories approved pursuant to Chapter 12C of the Iowa Code, and with certain restrictions, prime bankers acceptances, commercial paper, repurchase agreements and certain open end management companies registered with the Federal Securities and Exchange Commission.

The Organization's investments are categorized to give an indication of the level of risk assumed at year end. The investments are all category 1 which means that the investments are insured or registered or the securities are held by the Organization or its agents in the Organization's name.

Revenue Appropriation

All public support is considered to be available for unrestricted use unless specifically restricted by the donor. At the Board's discretion, revenues are designated for specific purposes. Such Board designated funds are included in the unrestricted net asset section.

Recognition of Donor Restrictions

Restricted assets are assets that either time or purpose restrictions have been imposed by the donors. The organization receives state and local government financial assistance in the form of grants. The purpose of the assistance is restricted by the grantors for a particular program. The Organization has elected to treat some of the grants as unrestricted assets instead of temporarily restricted because the programs are ongoing and in place at the time the grant is authorized.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. It has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

2/ Significant Accounting Policies - continued

Accounts Receivable

Accounts receivable have been adjusted for all unknown uncollectibles and no allowance is needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with initial maturity of three months or less.

3/ Land, Building and Equipment and Depreciation

A summary of such assets as of June 30, 2005 follows:

	Estimated Useful Lives	
Land		\$ 26,000
Building and Improvements	5-15 Years	164,246
Equipment	5 Years	<u>5,000</u>
		195,246
Less Accumulated Depreciation		<u>16,669</u>
Total		<u>\$ 178,577</u>

Land, buildings and equipment are stated at cost except for donated property which is carried at estimated fair value at date of donation. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Dallas County Hospital contributed land, a building and equipment totaling \$176,000 which has been classified as unrestricted net assets.

Provisions for depreciation are computed using the straight line method over the estimated useful lives of the assets.

4/ Accrued Compensated Absences

The Organization's employees accumulate vacation hours for subsequent use or payment upon retirement, death or termination. This liability was accrued based on the current rate of pay.

5/ Related Party Transaction

The Organization purchases a significant amount of food from one of its major contributors, the Dallas County Hospital, for its food and nutrition programs. The total for year ended June 30, 2005 was \$31,120.

6/ Concentration of Credit Risk

The Organization had program service fees and contract receivables of \$15,094 at June 30, 2005. The ability to collect on such receivables is dependent upon the continued stability of local and state economic conditions.



7/ Risks and Uncertainties

The Organization is exposed to various risks in the normal course of business, such as damage to or destruction of assets, natural disasters, thefts, injuries to employees, loss of major contributors or suppliers, deterioration of the economy in its geographical business area, and other unforeseen events. The Organization minimizes its exposure to these risks as much as possible and acquires insurance where appropriate.

8/ Designated Cash

At June 30, 2005, cash of \$966 was designated by the Board for use for the Early Child and Family Education Program.

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors  
Perry Area Child Development Corporation

We have audited the financial statements of the Perry Area Child Development Corporation as of and for the year ended June 30, 2005, and have issued our report thereon as dated below. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Perry Area Child Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Perry Area Child Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board of Directors, management and awarding agencies of the Perry Area Child Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

May 24, 2006

